



Department
Of
Economic and Community Development
59 Statehouse Station
Augusta, Maine 04333

POLICY STATEMENT #17

Subject: *CDBG Program Financial Administration Policy*

Revised: 05/04

The CDBG program allows for some latitude in how a community chooses to maintain financial accountability for receipt and expenditure of program funds. However, there are certain specific requirements that must be met. The most overlooked of these requirements are listed below.

Municipal officials are responsible for administering their Maine CDBG Program and are also responsible for its integrity. As municipal officials you must ensure that sound administrative practices and standards prescribed by industry standards and program regulations are followed, not only to protect grant funds, but also those who administer the program. These and other requirements will help to prevent fraud and program abuse by alerting essential officials to appropriate standards of administration.

The following list of activities and administrative requirements must be followed by all CDBG recipient communities regarding financial management/administration.

- (1) Establish internal controls to safeguard cash, inventory and equipment. One person shall not be responsible for completing drawdowns, approving invoices, receiving funds, and disbursing funds.
- (2) Establish a special ledger account for all CDBG monies and track all cash receipts and disbursements to maintain status of each CDBG program.
A checkbook and attached register will not be acceptable.
- (3) Do not request or draw down more funds than needed. Invoices documenting the drawdown request must be kept in the community's financial files. They must be dated, signed, (by the contractor, architect or engineer, if applicable, and the program administrator), indicate itemized activities completed including materials and labor provided and the corresponding amounts due, dates for the activities completed, and the total amount being billed. Maintain a record of drawdowns, funds received, and balance of funds.
- (4) The community must complete a Drawdown Summary Form indicating accrued and non-accrued expenses for each drawdown request submitted. Drawdown requests without the Drawdown Summary will ***not*** be processed.

- (5) Use program income for approved eligible activities before drawing additional grant funds to pay for allowable program expenses.
- (6) A municipal official must sign the drawdown request form if completing a paper version of the drawdown form. **(Pre 2004 Grantees only.)**
- (7) In order to allow for a timely closeout of CDBG grants, a community is allowed to retain a pre-approved amount of CDBG administrative funds for eligible Single Audit costs. If applicable, this amount will be the lesser of \$750.00 or the amount which CDBG contract expenditures represents as a percentage of the total federal funds expended by the community during the fiscal year. Within 10 days of the electronic closeout submittal a check made payable to: ***“Treasurer State of Maine”*** in the amount of all CDBG funds in the general fund account, which exceed the pre-approved amount for final Single Audit expenses, must be withdrawn and returned to OCD via the U.S. Mail.